



**“GlaxoSmithKline Pharmaceuticals Limited Q2  
Earnings Analysts Conference Call”**

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**Moderator:** Ladies and gentlemen, good day and welcome to the GlaxoSmithKline Pharmaceuticals Limited Q2 Earnings Analyst Conference Call.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing "\*" and then "0" on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Bhushan Akshikar. Thank you and over to you Sir.

**Bhushan Akshikar:** Thank you very much for setting this up very, very good afternoon to everybody on the call. In the next 20 minutes or so I and Juby – our CFO, will take us through the Results for Q2 of 2024 and before we deep dive into the Financials, I want to begin by Wishing everyone A Very Happy Dhanteras, we are just at the cusp of celebrating Diwali. So, Wish You the Very Best and A Very Prosperous Diwali to All of us.

So, we just concluded our Board Meeting this afternoon and before we go and look at the specifics on the Financials, just want to contextualize our performance:

Our competitive performance as we see it is reflected in the external data sources as each one of you is aware, we continue to be a broadly diversified Healthcare Pharmaceutical Company operating in broadly 3 areas – our General Medicine Portfolio, our Vaccines Portfolio and the inroads that we are making with Specialty beginning with Nucala and Trelegy.

Within these three businesses, the way we have delivered our comparative performance is reflected on this slide. Just to give you a quick sense:

For Q2, the external reflections did not really capture the growth momentum that is typically expected in a peak season, especially for some of the Acute segment and that's the reason why you would see a slightly lower than expectation performance on some of our key assets.

On the Unit side, we are very close to our Evolution Index Parameters which were set at almost 100 or more than 100 across our brands. So, if you see broadly speaking all the brands which were hitherto impacted last year, have all come back in green territory, especially the ones that were impacted the most last year on the NLEM side.

I think the big highlight for us is apart from the key brands or the iconic brands that we have in our portfolio Gen Med, the bet that we are making in the form of Trelegy are



turning out in line with our expectations as borne with the numbers that you see on that slide.

The other story that we have is for the third quarter in a row now our Vaccine business continues to not just be stable but also grow and grow well. And that's something that we will give you the specifics in a couple of minutes. But if you look at some of the key brands, even in our Vaccines Portfolio Pediatric segment, we have had a good traction.

I have talked to you about digital acceleration, apart from delivering competitive performance, one of the big business drivers, not just enablers for us is our digital acceleration. And with that intent, we have put up a whole new digital omni-channel team three quarters back.

And just to give you a snapshot in terms of how that is playing out in the marketplace, we have almost (400,000) 4 lakh doctors, unique HCP is being reached out, both not just through face-to-face interactions but also really opening up the base of the pyramid in terms of the digital touch points.

So, just to give a quick sense so we are up by almost 17% on our digital touch points. So, including the doctors that we have stopped covering but who have consented to us to reach out through digital touchpoints, we have almost 9.2 million touchpoints there. So, if you look at the distinct HCP touchpoints, that's a clear upswing of 26% in terms of what we were doing the same period last year.

The earlier slide was the Q2 performance for us as reflected in IQVIA. This is on a MAT basis just to give you a sense of how we are tracking for the last four quarters in a row, as reflected externally:

So, the Three Key Assets that were impacted early last year are all back in the positive territory. And just to call out a few examples, we have grown volumes on some of our key assets like Ceftum by 1.4x. So, if you just look at the Unit Evolution Index, we are in excess of 122% and 100% respectively for Ceftum, T-BACT and Augmentin.

For the last IQVIA Report which came out for the end of the Quarter which came out in early October, Augmentin continues to be the #1 brand in the pharma industry. So, on the Gen Med side we clearly in spite of a slightly sluggish external market scenario, our brands are still held on both in terms of market share as well as growth broadly speaking. We had some lower traction on our Liquids portfolio in the Gen Med Portfolio.

On the specialty side, both Nucala and Trelegy continue to grow from strength-to-strength. For the last quarter that we had Trelegy has continued to gain a share. So,



we have almost 5.5% share now in the Single Inhalation Triple Therapy Class which is the fastest growing class within the respiratory portfolio and that's where we are putting all our energy.

Evolution Index as I said on a value basis continues to be above 100, but even on units it is higher than 120%. Nucala continues to grow and create new momentum for all those patients who require treatment for severe Eosinophilic Asthma. So, between the respective places, indications of asthma and COPD, Nucala and Trelegy continue to create new science by way of our medical teams as well as our commercial teams to bring both these innovative assets to more number of patients.

The big growth platform that we have identified, and we remain committed to is really building the Adult Vaccination segment in India and for the last quarter that has just ended Q2, we have recreated our campaign especially to make Shingles more relatable, so I am sure you must have seen the ads playing in the background or what is running on social, digital as well as the TV sets, the new campaign featuring Amitabh Bachchan talking about the 50 plus cohort making it more relatable in terms of what Shingle prevention can actually do.

And the good news is on a target addressable market of almost 10 million to 12 million Indians who are above 50 in the top 10-12 cities who can definitely be eligible to get Shingles prevention, our reach has been almost 30 million with the kind of exposures that we have had.

So, the two broad buckets that we have in terms of really ensuring that our healthcare practitioners continue to invest in preventive medicine and not just treatment options. So, that's really one of the key deliverables that we are focused on.

And the other one is putting a lot of energy around educating consumers and patients not only to make Shingles more relatable but also to seek treatment with vaccination and therefore prevent the dreadfully painful disease that shingles is.

We also had some innovation in the form of new things that we have done in Q2, including Content Integration into some of the popular soaps that you have in terms of really ensuring that the awareness for adult vaccination in general and Shingles awareness in specific goes up. So, those are some of the innovations that we have delivered by way of our activities on the Shingrix front.

So, those were broadly our strategic pillars, which have helped us in Q2. I will ask Juby to quickly summarize the "Financials" before we open up for Q&A.

**Juby Chandy:**

Thank you, Bhushan and good evening to all of you.



As you would have seen the Results we just shared with the Stock Exchange, first time ever, we are closing our revenue from operations Rs. (+1000) crores with a growth of 5%.

As we see the drivers of growth, our General Medicine business, which is the Pharma business driving a volume growth of 6% and most of our brands are tracking above market growth in their respective therapies areas.

Specialty portfolio which we are building, and we started investing last two years, it's grown close to 81%.

Paed Vaccines – the portfolio delivers (+18%) growth. Of that 18%, 7% is coming out of Shingrix business, which just Bhushan has been sharing. So, 11% growth from the base business and 7% from Shingrix clocking total 18% growth.

Shingrix continues to be a focus area for us, and we have continued to invest in Shingrix to build the adult category.

In terms of EBITDA margins, you will be noticing 11% growth. We are reaching 32% EBITDA margins and also this mainly comes from stable gross margin as well as reducing our cost base by 4% and improving efficiencies across all the levers of SG&A.

So, we are tracking an EBITDA close to 32% and the same trend you could see on profit after tax. So, profit after tax with the growth of 15%, a margin of 25%, which is an improvement of 230 basis point.

You also would have seen we declared a Special Interim Dividend of 12 per share to start 100 years of Celebration Journey in India.

So, the next slide, we have seen half-year growth:

First half, we are delivering 7% growth and similar to the quarter's trend, the growth is coming from across all our business segments, which is General Medicines, Vaccines and Shingrix.

EBITDA margin improved 500 basis points with a growth of 28%. So, we are we are touching 30.3% for the first half of the year and the same trend you are seeing for the PAT, which is 24% growth with a margin of 24% and the margin improvement of 340 basis point.

In addition to EBITDA and PAT growth you will also see in the in the half-year, the cash position has improved to a highest level. So, we have converted 100% of the



profit into cash, which means our working capital efficiency has improved and that is supporting the dividend payment also.

We pause there and we can perhaps open for Q&A.

**Bhushan Akshikar:** I think there's the last slide which I just want to go through.

So, the Q2 Results are what they are, but I think what is incredibly important for us as an organization is come 12th of November next month, hardly two weeks away from now, we celebrate our 100 years of Commercial Operations in India. We set up the shop on 13th of November 1924, so it's indeed an incredibly important milestone in our continued evolution as a Company. We still remain committed in making a difference in the lives of 1.4 billion Indians in India, not just with our manufacturing operation but I think the innovation that we have continued to bring over the last 10 decades of our operations here. So, aligned with our global mission of bringing science, technology and talent to get ahead together of disease, we are incredibly proud of what this organization has achieved. It couldn't have been possible without the support of all the healthcare practitioners and all the associates who worked in the past and who continue to work with us across the value chain. Special mention to all the investors community to each one of you who has remained invested in this organization over the last 50-60 years.

So, that's where I want to take a pause and open it up for questions.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, I will now hand the conference over to Ms. Ambuja Kashyap for web questions. Over to you, ma'am.

**Ambuja Kashyap:** Good evening everyone. We have our first question from Mr. Deepak Sawhaney. Mr. Deepak Sawhaney asks how is the demand environment and pricing scenario as we hear from a lot of FMCG companies and auto companies that consumer demand is slowing, and people are down trading as well?

**Bhushan Akshikar:** Thank you very much for that question, Mr. Deepak. So, if you saw the Q2 performance for the external market, the Indian Pharmaceutical Market as reflected in IQVIA, which is a Syndicated Research Agency, delivered a growth of about 7.8% for Q2. So, that's pretty much in line with what we have done over the last few quarters. Within that, if you see the split of the Acute and the Chronic segments, we have seen a slightly suppressed growth for the Acute segments compared to Chronic. But again, all growth numbers remain above 6% to 7%. If you were to slice that further and think about urban and extra-urban, so the metros, Tier-1 and then Tier-2 to Tier-6, the growth has been anywhere in the range of 6% to 9%. The fastest growth has been in Tier-1 geographies compared to the metros or even Tier-2 to Tier-6 so that's where we are seeing. Again, as I said, the seasonal impact given some of therapy areas like

anti-infective, pain they typically follow seasonality we have seen this year the monsoon patterns have been not just erratic, but they have also been delayed. So, we have continued to see things getting pushed into Q3 now. So, including the first month of Q3, which is October, we have seen a renewed growth momentum. So, it has been a mixed bag but unlike other sectors that Mr. Deepak mentioned, there has been a delta which is impacted, but unlike some of the other sectors we have not seen a significant drop here and that's why you see what you delivered for the quarter.

**Ambuja Kashyap:** Thank you, Bhushan. We have our second question from Mrs. Sangeeta Purushottam. Mrs. Sangeeta ask that you mentioned that in Quarter 2 external market conditions were sluggish. Could you share how you see the market now? Additionally, was there any price erosion in Q2, if so, how much?

**Bhushan Akshikar:** So, I will answer that question again. Thanks Ms. Sangeeta for asking that question. I will answer the second part first in terms of how we have seen that growth panning out, I think I have just answered part of your question there in terms of why we said it was slightly sluggish because typically Q2 of the financial year is supposed to be the peak pharma season, especially for some of the categories within the top 10- top 12 therapy areas, and that is where we have seen a slightly sluggish growth and that's why I qualified that by saying that compared to the double-digit growth that we typically seen in this season, we have seen them in the range of 7% to 8% including for anti-infectives, which tracked at about 7% for the quarter. I think I already answered. The question around geographies and how that growth split has come up. On the pricing front, if you see for the industry at the external level, there is almost a 4.5% price factor which has led to that 7.5% to 8% growth overall for the industry. Internally for us at GSK, we have actually seen everything led by volume. So, if you see our Gen Med as well as our vaccine business, all our promoted brands, if you were to lump them as a group, promoted brands have grown volumes by about 7%. In fact, we have had an unfavorable component on the pricing front because exactly like-to-like, we were still coming out of our NLEM for some of the SKUs and some of the brands. So, for us as a company it is predominantly volume-led and not price-led for Q2. And Juby if you have anything to add?

**Juby Chandy:** No, you have summarized it well.

**Ambuja Kashyap:** Thank you. Our next question is from Nikhil Upadhyay. His question is if you look at the volume growth for the quarter and the first half, it seems to be on the lower side. Can you talk about what led to this lower volume growth also for the 1<sup>st</sup> Quarter, what will be volume, price, and new introduction breakup?

**Bhushan Akshikar:** Sorry, I didn't understand for the 1st Quarter or 2<sup>nd</sup>?

**Participant:** For the first half, what will be the volume, price and new introduction breakup?

**Bhushan Akshikar:** So, I just gave the numbers so it would be repetition of the same answer, but externally, as I said almost 4% to 4.5% of that 8% is led by price whereas for GSK we didn't have that factored in. So, as I said in fact we are adverse on the on the pricing so that's why if you saw what Juby presented on the financials, as we close out the first half, we have a value growth of about 7%. And as we get into the second-half, the objective is definitely to continue the momentum and not just grow on the volumes, which is really the health of the business but also have kick in some of those pricing variables which have not worked in our favor, at least in the first few months of this year. So, that's where we see our growth only improving as we move into Q3 and Q4. Juby, do you want to qualify something there or?

**Juby Chandy:** No, I think on the first half-yearly basis, we have reported a 7% growth. Of that 7% growth, 5.5% is coming from volume, and close to 1.5% is coming from price. So, basically first half, it's predominantly volume driven growth. This quarter, quarter-on-quarter it's 6% volume growth. So, basically, it's a fully volume led growth.

**Ambuja Kashyap:** Thank you, Juby. Handing it over back to you, Dorwin.

**Moderator:** Thank you very much, ma'am.

**Ambuja Kashyap:** While we wait for the people on the audio line to ask questions, we have a few more on the webcast. Ms. Sangeeta asks, by which quarter will the price impact of NLEM be behind us and can you outline the likely future trajectory of the Shingles vaccine?

**Bhushan Akshikar:** So, I think NLEM impact has been completely phased out with this quarter. So, that's why half year basis we are seeing a price growth of 1.5ish and a volume growth of 5.5. This quarter, the reported quarter, it is 6% volume and minus 1% price. So, it's completely out with this quarter.

On the second question, Ms. Sangeeta, as I said we remain committed because for an extremely innovative asset like Shingrix and that too with an efficacy in the range of 92% that took over a 12-year period to prevent a painful disease like herpes, we continue to invest. And what do I mean by that?

We are really putting energy in terms of really creating the vaccination ecosystem for adults, both in the private healthcare setting in clinics as well as signing up with hospitals, with specialized specialty clinics wherein we can offer this shingles prevention option to more and more patients who want to take charge of their well-being and health.

With every passing month, we are improving. And as I said, over an 18-month period since launch, exactly we launched it in May last year, over an 18-month period, we have sold more than almost about 110,000 doses of Shingles prevention. As I said, every month, we are holding and creating innovation by way of getting more patients



empowered to have that conversation with healthcare practitioner and seek a potential in the form of vaccination.

So, that's where we are investing our energy across all three elements, clinic, hospitals, as well as the specialty clinics. We continue to see 2025 calendar year, as well as the financial year and beyond as some of the most important years in terms of creating significant contribution from Shingrix to our business.

**Ambuja Kashyap:** Thank you, Bhushan. Our next question is from Mr. Jayesh Poladia. Mr. Poladia asks, are you looking for any acquisition or inorganic growth opportunity in the near future?

**Bhushan Akshikar:** Mr. Poladia, that is always a very important question that we keep asking including in our Board, and we are always missing scouting and looking for the right opportunities. As you know, for a company like GSK that is celebrating 100 years of the past but also remaining completely focused on the next 100 years of our evolution in India, the fit has to be right. We made some strategic choices in terms of the therapy areas that we will want and continue to play including the launch as I talked a couple of quarters back in new areas like oncology.

So, there are strategic bets that we are playing out. If there are the right candidates with of course at the right cost and the right price, we are more than happy to look, but that is why these decisions have to have the right mutual fit, both for the company like us as well as the company that is wanting to offer assets. I think that is where we stand. The answer is never a no. It is about finding the right asset at the right price.

**Ambuja Kashyap:** Thank you, Bhushan. Our next question is from Mr. Viraj Mithani. Mr. Mithani asked, can you give us some color on Nucala, Trelegy, and Shingrix in terms of growth rate and revenue? Additionally, what would be your guidance for the current year?

**Bhushan Akshikar:** So, Mr. Mithani, thank you very much for that. As we always say, we don't really give a guidance, but we put out a clear objective and a mission for ourselves that what will it take for the country where we have continued to serve the healthcare needs of 1.4 billion Indians, what will it take for us to continue to accelerate the growth momentum. And that is why I just answered in terms of the new growth platform.

Specifically, your question around how Nucala, Trelegy, and Shingrix have panned out, and I think in the last investor meeting, I gave a demonstrated example of how this growth platform of new assets didn't exist for us. So, if you are going to go back and check our financials three years ago, these assets didn't exist. And when I look at this financial year ending up to March 2025, I clearly see these three assets contributing in the range of 5%-6% to our top line.

So, that is a portfolio that didn't exist and that is exactly what we want to continue to do, how can we build this freshness index from innovative assets and create at least a



10% contribution to the top line in the coming time and keep reinventing ourselves and creating that growth momentum apart from, of course, holding the momentum on our base business of both general medicines as well as vaccines. So, that's where we are.

Our objective, as you heard from Juby, we have delivered a 7% growth, which is completely led by volume. So, for the next two quarters of this financial year, our objective is to not only continue this volume momentum, but also to get some benefit of the price variables which will kick in and only improve the performance as we close out the financial year.

**Ambuja Kashyap:** Thank you, Bhushan. Our next question is from Ms. Julie Mehta. Ms. Mehta asks, vaccines saw a drop in unit and value growth as per IPM data in the last two to three months. Do we face any impact due to the same?

**Bhushan Akshikar:** So, thanks a lot, Ms. Mehta, for asking that question. Again, if you remember the last 5 or 6 quarters having sharing with you the progress that we are making on, one, stabilizing the pediatric vaccine portfolio, both the width and the depth that we have is significant.

So, if you see what we have now for the last 3 quarters is consistent growth, you saw on the financials. Excluding Shingrix also, our pediatric vaccine business has grown for the quarter our pediatric vaccine business has grown for the quarter about 11.5%. And that's led across the board by all the entities that we have.

So, we have been able to hold our market share in the private self-pay market in the range of 23%, 24%, but more importantly, serve the increasingly important cohort in the private segment with our antigens. So, the impact of the National Immunization Program, which really plays out in different healthcare delivery systems, probably has leveled out and we only see moving forward a continued momentum across many of our assets.

Leading the pack is assets which protect infants from chicken pox or to prevent chicken pox, which is VARILRIX. We have BOOSTRIX, which is a Tdap vaccine to prevent. So, many of these assets have grown in double digit and also high double-digit numbers. So, for the next two quarters, we see continued momentum for the peak vaccine business. So, that's where we are confident of delivering what we have set out.

**Ambuja Kashyap:** Back to you, Dorwin.

**Moderator:** Thank you, ma'am.

**Ambuja Kashyap:** If there is nobody on the audio link, we have a few more on the webcast. The next question is from Mr. Gokul Maheshwari. Mr. Maheshwari asks, what is the outlook for input prices, and can you improve your gross margins as NLEM price impact is now behind us?

**Juby Chandy:** So, I think we have taken several steps to improve the gross margin mix. As you would have noticed, the impact of the entire NLEM has been recovered over the last four to five quarters. So, as we speak, our gross margin stands at 62 percentage points.

Now, the raw material prices in the broader pharma market are seeing softening and we are getting some benefit out of that. But all those things have already dialed up. So, now, this quarter, the raw material prices have been fairly stable. Our margin profile also has been fairly stable.

So, we have taken several steps to improve the entire margin profile, including EBITDA. That is what you would have been seeing. We are better than pre-NLEM stage on EBITDA as well as gross margin.

So, all those things we have been sharing in the last couple of investor calls. And as we speak, I am pleased to say that we have been at one of the highest EBITDA margins in the past many quarters we are reporting in this quarter.

**Ambuja Kashyap:** Thank you, Juby. So, our next question is from Ms. Julie Mehta. Ms. Mehta asked, we have two key product launches ahead of us in the second half. Are we moving in the right direction for the same?

**Bhushan Akshikar:** Yes, so thanks again, Ms. Mehta, for that. Yes, I shared it in the last industry meeting also that we are getting back into oncology with the launch of two assets currently indicated for endometrial and ovarian cancer. So yes, we are having some delay in terms of aligning the functional streamline across the value chain in the organization. But in terms of our intent and the direction, we are pretty much there. So yes, the answer is yes, Ms. Mehta.

**Ambuja Kashyap:** Thank you, Bhushan. Currently we do not have any more questions in the queue on the webcast.

**Bhushan Akshikar:** Thank you very much, everyone. Have a very Happy Diwali ahead. Thank you.

**Ambuja Kashyap:** Thank you, everyone.

**Moderator:** Thank you very much. Ladies and gentlemen, that brings the conference call to an end. On behalf of GlaxoSmithKline Pharmaceuticals Limited, we conclude this conference. We thank you all for joining us. You may now disconnect your lines.